



REACTION TO THE PANDEMIC: A NEW ECONOMIC SYSTEM

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Abstract:

The pandemic of Covid-19 has been heralded as one the greatest pandemics that mankind has witnessed so far. Having shaken all the social and political structures of the society across countries, the pandemic has successfully demolished all the old systems and have provided the potential to give birth to a new order. Whether economic or legal, the pandemic now paves way for a new system and new rules that, that hold the power to alter the course of mankind into a new direction. This paper seeks to focus upon the possible changes that maybe bought about in the economic and trade discourse between countries, within the helm of international law and order.

Keywords: International, economic, law, covid-19, Coronavirus

Introduction:

The world has observed scattered cases of pandemics across centuries. The spread of several diseases, majorly due to excessive human activities or the lack of strong immunity, have claimed the lives of several. The various pandemics and epidemics that the world has seen till date are¹:

- Prehistoric Epidemic Circa 3000 B.C

- The Plague of Athens, 430 B.C.
- Antonine Plague, A.D. 165-180
- Plague of Cyprian, A.D. 250-271
- Plague of Justinian, A.D.541-542
- The Black Death, 1346-1353
- Cocoliztli Epidemic, 1545-1548
- American Plagues, 16th Century
- The Great Plague of London, 1665-1666
- Great Plague of Marseille, 1720-1723
- Russian Plague, 1770-1772
- Philadelphia Yellow Fever Epidemic, 1793
- Flu Pandemic, 1889-1890
- American Polio Epidemic, 1916
- Spanish Flu, 1918-1920
- Asian Flu, 1957-1958
- AIDS pandemic and epidemic. 1981-present day
- H1N1 Swine Flu Pandemic, 2009-2010
- West African Ebola Pandemic, 2014-2016
- Zika virus Epidemic, 2015-present day
- The Corona Virus, 2020

The various pandemics and epidemics have not only altered the course of history for humans, but have had a significant impact on the relations and interactions of countries with each other. But, none had been so drastic so as to compel a change in the economic policies and the trade relations between states. Even the global economic system underwent a change only post the Second World War, alongwith the onset of the Bretton Woods systems, which gave way to the New International Economic Order or the NIEO. This was not the case until the year 2020.

The year 2020 proved to be tumultuous year. Right from January, there have been several international events that have threatened to

¹Owen Jarus, *20 of the Worst Pandemics in History*, Live Science, available at

<https://www.livescience.com/worst-epidemics-and-pandemics-in-history.html>, last seen on 13/05/2020



disturb the international tranquillity, both in terms of war and trade. The tipping point for the spiralling events was the spread of the Covid-19, also known as the Corona virus, from the country of China to countries all over the world. This virus, imitating as a common cold and flu in its initial symptoms, seems to have bought the whole world to a standstill. However, the Corona virus is responsible for a lot more than deaths: it has compelled the world and its economies to rethink their policies.

This pandemic has also revealed instinctive nature of survival of economies. The main purpose of now countries all over the world is to thrive, even in the face of a downfall, recession or mounting number of deaths. It has revealed the fragility of the once touted powerful nations and how despite possessing the best health care systems, their lack of management and the lack of priority given to such events has consequently led to the downfall of their own population. The pandemic has revealed that now the purpose cannot just be to mint money and gain power or clout but the aim is to now focus on the welfare of the population and to reinstate the idea of a 'Welfare State', which is often regarded an important part of the formation of a state.

The Covid-19 has majorly impacted several countries in terms of lives and equilibrium of economies. Among the several countries to have been severely affected by the virus, the worst hit is the United States of America,

bearing the loss of almost 3,414,105 lives² till 13th July, 2020. The economic consequences of the pandemic are worst. Several business have had to arbitrarily shut down, people are warned against crowding and are advised to maintain social distancing, travelling for leisure is banned, new standards of hygiene have been imposed to avoid a community spread of the virus. It has also led to mass unemployment, which is as high as 32 per cent, much more than the Great Depression of 1920 and or the Great Recession in 2008, which was clocked at only 10 per cent.³ To top it all, the effect of the US-China trade wars, where United States of America had imposed tariffs on the Chinese products as they deemed that earlier tariffs were unfair trade practices,⁴ and China imposed tariffs in retaliation, on the American products, had already began sowing the seeds of the disruption of the cross-border operation of industries.

The pandemics and epidemics, in the past, have not been able to spread easily across countries and continents. This time the situation is different. However, there are several inter-connected reasons why this virus reached the levels of a pandemic.

One important reason can be attributed to the easy accessibility of people across borders. The virus has been majorly spread from people at airports. Another reason is the lack of adequate check-ups and the inability to detect the persons infected with this deadly virus in time. There are several persons who

² *United States of America*, WorldOMeter, available at <https://www.worldometers.info/coronavirus/country/us/>, last seen on 13/05/2020

³ Richard Heinberg, *Pandemic Response Requires Post-Growth Economic Thinking*, Common Dreams, available at <https://www.commondreams.org/views/2020/04/09/p>

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⁴ Anna Swanson, *Trump's Trade War with China is Officially Underway*, The New York Times (2018) available at <https://www.nytimes.com/2018/07/05/business/china-us-trade-war-trump-tariffs.html>, last seen on 13/05/2020



blame the economy of China as well, who allegedly did not inform the world forum regarding the seriousness of this disease. No matter the reason, it has resulted in such a downfall of the entire global economic system as a whole.

In this age of globalisation, several countries tend to disaggregate and spread out their several units of production and distribution across several countries. One country may have the production unit, another may have assembly unit while another may have the research and development of a company and its products. The country with the cheapest labour, almost no environmental norms and which has largest amount of production facilities of companies all over the world is none other than China. It would be a natural consequence that if China was to impose a lockdown on all its activities, it would not only impact the production unit of the said company, but would also cast its ripple effects on the rest of the economies. For instance, the city of Wuhan, where the outbreak began, is a hub for a significant production of global share of optical fibre cable and related devices. The effect of the shut down reverberated on the global level much before the declaration of the virus as a pandemic.⁵ The pandemic has also forced the development of the attitude of focussing upon the basics. It is shifting the spotlight from materialistic habits to the habits of survival. This clear demarcation of priorities has resulted in a consistent fall for what was initially considered as basic, but turned out to be just luxury. Another outcome of the pandemic is the rehabilitation of nature. The excessive human activities, in the form of

factories and exploration had depleted the nature significantly of its resources. The nature, it seems, is healing itself.

The need for change:

The pandemic has compelled economists to divert attention from the capitalistic and materialistic policies to a more humane and community-based approach. The virus is affecting all, rich and poor alike and thus, this has now blurred the distinction between classes that is said to exist in a society. There is more focus upon the medical services and the development of the same in every economy with even a single case.

This brings us to a question: what should be the ideal response in the form of an economic system, in this pandemic? This outbreak has clearly forced everyone to rethink what was deemed as normal and has created a situation that demands change.

For starters, the governments now need to focus on dissociating in global value chains and diversifying their production units into different countries and should try to nationalise as much as they can. Their heavy reliance on China by major countries for substantial amount of production is also responsible for this global crisis. However, there is still an on-going debate against the concentration of companies in a particular state, as it would also affect cross border labour, investment and livelihood of states that are not self-sufficient in nature.

Another option would be now to focus more upon building a greener and environment friendly economic and trade policies. Nature

⁵Amit Kapoor, Richard Dasher, *View: A new economic order is afoot*, The Economic Times (2020) available at <https://economictimes.indiatimes.com/news/economy>

</policy/view-a-new-economic-order-is-afoot/articleshow/75374832.cms?from=mdr>, last seen on 13/05/2020



has long suffered due to the activities of men and the growing viruses are also responsible for accelerating the process of global warming and could ultimately result into successive mutations that would infect animals as well.⁶ The spread of the virus has proven to be a wake-up call of some sorts, warning against the impending doom of deforestation, green house effect and the spread of rampant and more frequent pandemics.

There has to be an increase in accountability and instead of a blame game, the countries should try to emerge from the ashes in a pragmatic way. Countries should come together to actually formulate policies that are environment-friendly in practice, and not just on a report that can be renewed periodically. The governments and the administration should now cohesively take the Earth and its preservation more seriously. Another important step would be to focus upon the overall hygiene and waste management of the world that hampers the right to clean environment.

Governments and authorities should now invest more in medical research and drug testing and make it one of the top priorities, so as to eliminate any new diseases that may infect the denizens of the Earth. A progressive increase in testing for this and other viruses can not only help trace its contact, but can also be helpful in curbing the further spread of the same. The world leaders should be on the same page regarding any medical advancement and it should be within the common knowledge of all the world

leaders so that there can be no further arm-twisting for the import or export of drugs.

Policymakers should be to support citizens' livelihoods by actively investing in renewable energy instead of fossil fuels.⁷ Countries should also start gradually phasing out the use of fossil fuels and employing renewable energy technologies, most of which are now globally available and already cheaper than fossil fuels in many cases. With the recent fall in the price of oil globally, damaging fossil-fuel subsidies can and should be eliminated.⁸

Shifting from industrial to regenerative agriculture is also feasible and would allow us to sequester carbon in the soil at a rate that is sufficient to reverse the prevailing climate crisis. Moreover, doing so would also result in profits, would effectively enhance economic and environmental resilience and improve wellbeing in both rural and urban communities simultaneously.

Regenerative agriculture is a feasible option that has emerged in many of the new economic models that are being considered by states all over the world. The ideas are primarily based on the principle of living within our planetary boundaries. The goal should be to create a safe and fair operating space for all. We must work within the planet's natural boundaries while also ensuring that marginalized and vulnerable communities are not at a disadvantage.

Another option that is being explored is the use of the Corporate Social Responsibility or

⁶ Sandrine Dixson-Deceleve, Hans Joachim Schnellhuber, Kate Raworth, Project Syndicate, *Could Covid-19 give rise to a greener global future?* World Economic Forum, available at

<https://www.weforum.org/agenda/2020/03/a-green-reboot-after-the-pandemic/>, last seen on 13/05/2020

⁷ Ibid.

⁸ Ibid.



CSR funds, collected from various companies, as either a penalty for the violation of environmental norms or as a security to restore the nature if any harm is done. However, debates continue as the companies themselves are struggling with profits and productivity issues and in the light of the recent events, it would be slightly unfair to tax the haves excessively, when it is their fight to survival as well. The corporate rely on the society and communities for their operation and if the society is hit, so is the company.

Almost 10 million employees in the USA have applied for unemployment benefits, labelling it as one of the worst crisis, which was not even the case of Recession of 2009.⁹ Coupled with a debt based economy, where everything runs on mortgage, there have been huge protests against the lockdown of various states and various industries in America. People need to go back to work, because almost everyone has loans to pay. The government authorities are advised to also pay people in this crisis of unemployment. According to the US economic relief package, Washington will send to most households one-time payments of \$1,200 per adult—plus \$500 per child—and expand unemployment benefits, increasing the weekly payments for eligible workers, including independent contractors and the self-employed, by \$600 for the next few months. The new law also delays tax filing, suspends wage garnishing among those who have defaulted on their student loans, and

establishes a four-month eviction moratorium among landlords with mortgages from federal entities.¹⁰ Despite these massive steps, it may not be enough as these are temporary measures and do not account for a long-term relief.

Denmark and other northern-European countries, on the other hand, are taking a slightly different approach. Their governments are directly paying businesses to maintain their payrolls to avoid the sort of mass layoffs and furloughs that are already happening across the United States. The main advantage of this approach is that restaurants, factories and so on don't have to go through the bureaucratic rigmarole of firing thousands of workers and then rehiring them all when the economy bounces back and also those workers don't have to waste time applying for jobs, either. It is as if they are putting their entire economy in the freezer for three months.¹¹

Another suggestion is to now expand the parameters which evaluate the index of development and not just measure the economic progress of the country only through the gross domestic product or gross national product. In 1972, Bhutan's King Jigme Singye Wangchuck invested the phrase "Gross Happiness Product" which sought to recognise new parameters for a comprehensive study of the development of an economy. These parameters include time use, living standards, good governance, psychological well being, community

⁹ John Bluedorn, Gita Gopinath, Damiano Sandri, *An Early View of the Economic Impact Of the Pandemic in 5 Charts*, IMF Blog available at <https://blogs.imf.org/2020/04/06/an-early-view-of-the-economic-impact-of-the-pandemic-in-5-charts/>, last seen on 13/05/2020

¹⁰ Derek Thompson, *The Four Rules of Pandemic Economics*, The Atlantic available at <https://www.theatlantic.com/ideas/archive/2020/04/new-laws-pandemic-economics/609265/>, last seen on 13/05/2020

¹¹ Ibid.



vitality, culture, health, education and ecology.¹² These parameters were evolved to study the overall development of an economy that goes beyond numbers and statistics. The same can be adopted by countries all over the world.

Conclusion:

To conclude, the pandemic has definitely coerced the nations to go beyond the normal and usual economic practices and policies and have necessitated the evolution of policies and attitudes that maybe more useful in combating such outrageous situations in the near future.

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¹²Supra at 3